



# STATE OF IOWA

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## **An Overview of the Iowa Child Support Recovery Program February 2002**

### **Who do we serve?**

The child support program assists custodial and non-custodial parents in meeting their parental obligations to support their children. The program serves parents and children who are also customers of other human services programs such as FIP, Medicaid, SCHIP, childcare, foster care, welfare to work, and food stamps. Referrals of customers and timely and accurate sharing of data and information is a critical component of successful service delivery to families. Child Support Recovery Unit (CSRU) provides services in approximately 166,000 cases representing 563,000 parents and children. Of these,

- 16% are currently receiving public assistance benefits,
- 59% formerly received benefits, and
- 25% never received benefits.

### **What does it cost and how much do we recover?**

- Of the nearly \$41 million SFY 02 annual budget, \$6.7 M is state general funds and the remainder is earned federal performance incentive funds and 66% federal matching funds. (State dollars are pre 4.3% ATB)
- In SFY 01, the CSRU recovered \$245 million.
  - ⇒ \$46 million FIP and Foster Care (Iowa, other states, and federal government share this revenue); and
  - ⇒ \$199 million for families.

### **What services does the child support program provide?**

The CSRU collects payments of child support. We also:

- Establish the paternity of children born out-of-wedlock.
- Establish child support, medical support and health insurance obligations administratively and with the courts.
- Review and modify child support and medical support obligations.
- Enforce payment of court ordered child support, medical support and health insurance.
- Locate parents and their assets.
- Receive, record and disburse child support payments.
- Administer parental responsibility pilot projects with community partners.
- Coordinate involvement of non-custodial parents in Welfare to Work.

### **How is our performance measured?**

The federal government has established customer results measures and performance standards, and awards federal incentive funds based upon the state's level of achievement, as compared with all other states.

- The *new formula* for the calculation of incentives was established in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 and the Child Support Performance Incentive Act (CSPIA) of 1998. This incentive formula is being phased in over 3 federal fiscal years (FFY) starting with FFY 2000.
- The federal government requires states to report data related to the following five areas: *establishing paternity and court orders, the collection of current and delinquent support, and cost effectiveness*. Federal auditors conduct extensive audits. For the states that pass the data reliability audit standards, the federal government calculates incentives.
- Another change is that the performance is weighted against the performance of other states in each area of performance, and incentive awards are allocated from a fixed set of funds. Each state's amount is dependent upon how other states are performing during the same period of time. Iowa must continue to improve performance annually if we wish to receive the same level, or a higher level, of federal performance incentive funding.

### How is Iowa doing? How do we compare with other states?

- The Iowa Child Support Program is a national leader in all areas of the program and ranks consistently high among the states in performance. Based on data reported to the federal Office of Child Support Enforcement for FFY00 that has passed federal audit, Iowa ranks 5<sup>th</sup> in overall performance in all five areas. The top four states are Washington, Vermont, Maine, and Michigan.
- Iowa is the second state to achieve full systems certification for having successfully implemented all of the requirements of the Personal Responsibility and Work Opportunity Reform Act of 1996.
- Policy Studies, Inc, of Denver, CO, recently completed a Business Process Review for the State of Kentucky's Child Support Enforcement Program. In the Executive Summary, PSI states, "For this comparison, we deliberately selected some unusually high performing states (e.g. Iowa and Minnesota) to provide a current upper bound for potential performance."
- The National Child Support Enforcement Association named Iowa "Outstanding Child Support Program" in 1999.
- Finalist for Council on State Government's 2001 Innovations Awards.

### Specifically, how does Iowa compare to states' programs that are in Revenue Departments?

Most states' child support agency is housed within the Human Services agency. Five states locate child support within their Revenue agency. The following data\* compares Iowa's program performance with these other states.

	Paternity Establishment Percentage (PEP)	Percentage of cases with a support order	Of all cases with court orders, percent of current support paid on time	Of all cases with court orders, cases paying on arrears	Cost-effectiveness ratio
Alaska	99.07	78.50	49.20	65.10	3.89
Arkansas	Failed audit	67.10	47.40	56.60	3.28
Florida	82.93	47.50	49.90	81.80	3.45
Massachusetts	106.20	67.10	58.70	55.30	3.50
Rhode Island	59.10	51.00	53.70	61.00	4.44
<b>Iowa</b>	<b>92.70</b>	<b>85.90</b>	<b>62.40</b>	<b>54.80 ++</b>	<b>4.24</b>

\* The data contained in the chart is based upon FFY00 data as audited by the federal government. This is the most recent audited data.

++ Iowa arrears percentage calculated on only 11 months of collections data due to a technical reporting error.

### What does the CSRU do to collect support?

- The CSRU uses a variety of tools to enforce the payment of support. Some work well with certain types of parents and their situations, and still others are more effective in other circumstances.
- The primary enforcement tool is income withholding. Over 70% of payments received are through income withholding orders (IWO). We have improved collections in this area since centralizing all activities associated with IWO in 1999 at a new one-stop service center for employers and other income providers who withhold and remit support. Implementation of the Iowa Centralized Employee Reporting (ICER) and the National Directory of New Hires (NDNH) has greatly enhanced wage withholding effectiveness.
- Another highly effective and cost-efficient tool is state and federal tax refund set-off.
- Other collection methods include license sanction, property liens, contempt of court, and credit bureau reporting.
- Some of the newer collection tools being used are:
  - United States Attorney Program: CSRU is referring qualifying cases to the US Attorney program for federal criminal prosecution. Recent criminal convictions include sentences, and restitution totaling \$350,337.45.
  - Financial Institution Data Match and Administrative Levy: Over \$2.3 million collected from debtors' accounts for the first 6 months of SFY 02.
  - Passport Sanction: CSRU has successfully secured large payoffs from debtors seeking to travel outside the US.

### Does everyone meet their court ordered child support obligations?

Many parents do a good job in providing court-ordered support to their children.

- In 37% of all cases in which the parent is ordered to pay support, the non-custodial parent owes a balance of \$50 or less.

- While 51% of the debtors owe only 9% of the entire debt, 15% of the debtors owe 52% of the debt.

### **What are the characteristics of those who don't pay and what are we doing about it?**

Non-custodial parents who owe child support debts could be described as falling into four broad categories:

- **Dead-broke:** These are parents who are undereducated and unskilled, unemployed or sporadically employed, often have multiple families, and often have been dependent on public assistance themselves.
  - ⇒ Strategies that have been put in place include a partnership with Iowa Workforce Development to federal Welfare-to-Work services designed for non-custodial parents who are having trouble paying their child support. Pilots are operating to offer services and financial incentives for paying child support, such as temporary reductions and permanent satisfaction of debt owed to the state for regular payments. We have made some progress in alleviating these barriers through a cooperative Welfare-to-Work program with IWD.
- **Unwilling to pay:** These parents may have the means to provide financial support, but for reasons such as lack of access to their children or a poor relationship with the other parent they are reluctant to provide regular financial support.
  - ⇒ Community-based programs and government pilots in some localities are providing mediation service for custody, visitation, and access issues. We have also made some early progress with Parental Obligation Pilot Projects (POPP) in helping alleviate problems caused by visitation and custody disputes. Collection tools usually produce positive results with those unwilling to pay for these reasons.
- **Unable to pay:** These are parents who are disabled, incarcerated, or unable to work for other reasons, such as substance abuse.
  - ⇒ We are making inroads by working with the Department of Corrections for in activities related to establishment and enforcement, and in parenting related information sharing.
- **Evaders:** These parents often have the means to pay, but purposefully avoid their parental responsibility and take extraordinary steps to block efforts to collect support. They typically work for cash, move and change jobs often, use alias names and false Social Security numbers, put assets in the names of others, do not license vehicles, drive without licenses, and do not file tax returns. Application of multiple collection tools often results in sporadic collection at best.
  - ⇒ Some of these parents are included in the cases being referred to the Department of Revenue and Finance's Centralized Collection Unit for additional collection activities. Most of these cases require extreme efforts to collect, including referrals to US Attorneys for criminal investigation and prosecution.

### **New this year: Targeted Collection Partnership with Department of Revenue and Finance**

#### **How does it work?**

- The Department of Human Services Bureau of Collections refers child support cases to the Department of Revenue and Finance (DRF). These are cases in which the support order has expired and there has not been a payment for at least 90 days. The case may be one in which all of the money is owed to the non-custodial parent, all is owed to government from a time when the parent was receiving FIP, or a combination of the above. This debt is generally very old and is considered the most difficult to collect.
- Revenue and Finance provides an intensive program of traditional debt collection efforts, including "skiptracing" to locate the obligor, telephone collections and dunning letters. In addition, DRF suspends the obligor's ability to register a motor vehicle in the state until the obligor enters into an approved pay plan.

#### **How do we pay for the work DRF does?**

Child Support asked for and received intent language last year authorizing use of the state's "share" of additional support recoveries for the FIP program to be paid to DRF for collection services. The federal government continues to get its share of the recoveries. (See Chapter 191 Section 3(3) of the 2001 session law for specific language.) This legislative language allowed us to enter into the partnership without seeking an additional state child support appropriation. DRF is paid from the additional state share of collections they directly generate. Families who are owed back support receive all that is collected on their behalf by DRF.

#### **What has been accomplished so far?**

This project is beginning to show results. After several months of preparation, system and software development, and training by both agencies, we entered into the contract in October 2001 and began referring debt in November. Child Support has thus far referred 9,936 cases to DRF with a cumulative debt balance of \$146.9 M.

Recoveries have increased in each of the last three months. Collections totaled approximately \$5,000 in November, \$25,000 in December, and \$92,000 in January. While the year-to-date total of \$122,000 may seem modest, it exceeds our expectations. Given the difficulty of obtaining payments from these old debts, and compared to the results achieved by a private contractor for the same type of debt a few years ago, DRF initially set a goal of collecting \$200,000 on these accounts for the last eight months of FY2002. These are recoveries above the \$269.4M to be collected by Child Support this year.

**What is next?**

The Child Support Targeted Collection Partnership is a major initiative for both agencies and we would like to focus on ensuring the success of this program before expanding our partnership. Child Support and DRF are both committed to developing additional opportunities. Our goal is to develop projects that take advantage of each agency's core competencies while maintaining focus on our respective missions. Projects under consideration include an initial calling campaign for obligors when they first miss a payment, telephone auto-messaging, and expansion of motor vehicle registration sanctions. We will be pleased to continue to consult with you as we develop these and other opportunities.